

Innovation Flash

Issue 8, December 2010

The Newsletter of the ILO's Microinsurance Innovation Facility

MICROFINANCE IN CRISIS, AND THE IMPLICATIONS FOR MICROINSURANCE



The microfinance industry suffered a serious crisis in the Indian state of Andhra Pradesh in recent months, resulting from a combination of factors, including over-indebtedness among low-income households

and massive growth of microfinance institutions (MFIs). The success of the MFIs has attracted more players, both formal and informal, to lend to poor households, with few checks and balances in place. Consequently, some operators engaged in aggressive debt collection practices that have attracted significant media and political attention.

What does this mean for microinsurance? There is good and bad news. On the good side, this crisis creates an opportunity to raise the profile of insurance. Since this situation has emerged in part due to the vulnerability of the target group, insurance would be an appropriate means for them to manage some of their risks. Similarly from the supply side, the crisis exposed the shortcomings of a microfinance business model that only delivers a single rigid product. Low-income households need more than just credit.

Microinsurance also doesn't have the same issues regarding collection practices that microcredit faces because the risk relationship is reversed. With a microenterprise loan, the lender is taking a risk that the borrower will not repay; whereas with insurance, by paying a premium up front, the policyholder is taking the risk that the insurer may not fulfill its side of the bargain.

As microinsurance is evolving to be distributed by a range of delivery channels, it is becoming less dependent on MFIs to extend insurance to low-income households. But MFIs remain an important distribution

channel, which is where the bad news begins to kick in. As they both involve the provision of financial services to the poor, microinsurance will always be associated with microfinance, and therefore any negative perceptions of the lending practices will tarnish insurance as well.

The crisis in Andhra Pradesh highlights the need for more controls within MFIs and by the regulatory bodies. Microinsurance can help the industry recover from the crisis and evolve to better meet the needs of low-income households by providing a greater diversity of available financial products and protecting households in times of crisis. But insurers would be wise to thoroughly assess prospective delivery channels to ensure that their partners' good reputations are well deserved.

Bernd Balkenhol, Director, ILO's Social Finance Programme

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Innovation Flash is an online newsletter available at www.ilo.org/microinsurance. For more details, contact us at microinsurancemedia@ilo.org

INNOVATION GRANTS

LAST CALL FOR INNOVATION GRANTS

The Facility invites organizations to apply for [innovation grants](#) to support projects that innovate to achieve scale, improve efficiency, or both. Cutting costs is a necessity to make microinsurance viable and practitioners often recognize that technology is the solution. However, it is often difficult to gauge how much to invest and in which technologies. This round of grants, funded by the Zurich Foundation, seeks to provide funding to pilot-test innovative experiences that will bring answers to those questions. The deadline to submit a proposal is 25 January. Watch also the [discussion on technology we held during our Innovation Forum in Manila](#) and summarized by M. Berende and F. Somerwell that provides practitioners insights.



of India. The project will develop: a model for providing outpatient cover using rural points-of-sale; an efficient premium collection mechanism using the rural financial network as intermediaries; and a conducive environment for delivering health care, including good outpatient centres, doctors' panels, inpatient care providers and pharmacy chains.

NAYA JEEVAN, a California-based, not-for-profit, social enterprise has developed a project in Pakistan focusing on diverse product and process innovations, to address the need for preventative health care and consumer education on insurance. Naya Jeevan will collect information on past and present medical needs and expenses to measure the impact and usefulness of the insurance intervention. The project will be based in urban Pakistan initially, designed to benefit 100,000 lives over 2 years. For more details, see the [interview with Asher Hasan](#).

NEW GRANTEEES

[PIONEER](#), an insurance company and Faulu, a major microfinance institution in Kenya are partnering to launch Medlife "Faulu Afya" (meaning good health in Swahili), a comprehensive medical cover for illness, surgery and accidents. The coverage assists the members and their immediate family members to access decent health care with minimal out of pocket expense.

TECHNICAL UNION OF MUTUAL SCHEMES OF MALI (UTM) collaboration with the SOCODEVI, a Canadian NGO) and MACIF, a French mutual insurance company, are piloting their health microinsurance project, Keneya Sabatili ('insuring and maintaining health'). The goal is to facilitate several mutual schemes merging to create a single mutual institution for the Koutiala district. This project is designed to be a pilot for a universal health insurance programme that will be co-financed by the government of Mali.

ICICI FOUNDATION seeks to develop in India a good quality health insurance product through private-public partnership, initially between the associated general insurance company, ICICI Lombard, and the government

[ASEGURADORA RURAL](#), an insurance company in Guatemala, aims to design, test, improve and deliver health products to participants in the Banrural

Grameen programme, with the aim of reaching 70,000 low-income people, mainly rural women. The products will be marketed through Aseguradora Rural's network. Aseguradora Rural hopes to roll the product out to benefit five million low-income people across the country.



You can find in our [Project Portfolio](#) a new interactive map showcasing the innovation grantees

PRODUCT DESCRIPTION

We will progressively present a description of the grantees product in the Knowledge Portal. You can find them in the [Learning Journey section](#). Information covers the product description (type of product, coverage description including the purpose of insurance, benefits, and additional non-insurance services bundled with the product), the terms and conditions, information on the premium and on the target market, details on the claims and the distribution). See for instance [MicroFund for Women product description](#).

KNOWLEDGE MANAGEMENT (KM)

The Facility's Knowledge Management Portal, accessible via our website, was launched in November 2010. It works as a knowledge sharing platform to enable our partners to share their experiences, connect with other practitioners and support the Facility to consolidate knowledge on microinsurance.

The **PROJECT PORTFOLIO SECTION** aggregates the profiles of our Innovation grantees, our CCB partners and Research grantees. Partners can provide updates on their project, post news and pictures, and upload product details.



The **LEARNING JOURNEYS** section is the place where we track the experiences of our partners and other practitioners. You'll find key lessons consolidated

from each project. We encourage all practitioners to contribute to the **THEMATIC PAGES** (on consumer education, technology and health) and exchange views on the **DISCUSSION FORUMS**.

All our information products (**PUBLICATIONS**, **VIDEOS**, **EMERGING INSIGHTS**) will soon be searchable so as to easily retrieve information per theme, product type or region. To access this information and contribute, go to the **REGISTRATION PAGE** and create a new account.

KM tools glossary

LEARNING JOURNEY provides a chronological and narrative account of the experiences during project implementation, covering both successes achieved and challenges experienced.

THEMATIC PAGE includes an introduction to the theme, reference to relevant studies, emerging lessons and sources of further information (e.g., print publications, links to online sources, videos) and links to related Learning Journeys. Currently you can access and comment on three Thematic pages: consumer education, technology and health.

DISCUSSION FORUM allows users to exchange views with other microinsurance stakeholders. Currently this electronic forum is requesting on our Innovation Forum to understand what participants learned and how we could improve the Forum next year.

Our activities

Project portfolio

- ▶ **Microinsurance innovation grantees**
- ▶ **CCB projects**
- ▶ **Research grantees**
- ▶ **Search our projects**

Knowledge center

- ▶ **Learning journey**
- ▶ **Thematic pages**
- ▶ **Publications**
- ▶ **Videos**
- ▶ **Discussion forums**
- ▶ **Microinsurance calendar**
- ▶ **Members**

INNOVATION FORUM

On November 8th, 105 Facility partners met at our annual Forum in Manila to share experiences and lessons along key thematic areas. The events included a poster session featuring grantee projects, a presentation of the portal, learning clinics and thematic discussions on a diverse array of topics, and an interactive game on good and bad practices in microinsurance.



One request for the 2011 Forum is even more opportunities for participants to interact and share emerging lessons

through conversations and presentations.

Please read the [full report of the Forum](#) and watch the summary of two thematic discussions on [consumer education](#) and [health](#).

BITE-SIZE LESSONS

EMERGING INSIGHTS was developed to disseminate lessons to microinsurance practitioners on a regular basis in a concise format. The lessons are consolidated from the Learning Journeys, Thematic pages and other sources. They might, for example, provide tips on effective tools or processes, or a word of caution on an aspect of project implementation, or practice-based evidence submitted by a grantee, or the results of a client evaluation survey.

Among other things, you can find information on:

- Ad-hoc consumer education is a waste of money
- High client satisfaction with microinsurance does not guarantee success
- Identification technology can reduce fraudulent claims and help make cattle insurance sustainable



CAPACITY BUILDING

Workshops

The Facility proposed in Manila two workshops for consultants and fellows aimed at improving the effectiveness of their knowledge transfer efforts. The first one focused on designing relevant responses to problems and achieving good results, the second one dealt with Business planning. See the two summaries:

- [Building successful organizations and planning for the future of microinsurance](#)
- [Climbing the learning curve: Capacity building workshops expand fundamental skills](#)

Fellows

Manoj Kumar Pandey, a Facility' Fellow who just completed his one-year fellowship in Sri Lanka and Kenya. is looking for job opportunities to continue to provide his expertise in the microinsurance field. See [his profile on Linked in.](#)



Consultants roster

As part of our efforts to develop a pool of expertise in the sector, we have created a [registry of microinsurance consultants](#). You can already find 58 consultants with product specialisations in life, property, agricultural, health and pensions. who speak more than 15 languages and their expertise ranges from technology, financial education, market research and feasibility studies to staff training, product design, actuarial calculation and microinsurance regulation. The main purpose of the tool is to help bring the supply of services closer to the needs of practitioners.

MICROINSURANCE NEWS

[Micro Insurance Academy \(MIA\)](#) has received an Asia Insurance Industry Award as the "Educational Service Provider of the Year 2010". MIA was recognized as a front-runner in microinsurance education for its innovative training programs that are customized to the capacities and priorities of the target population.

[Expanding Microinsurance to Farmers in East Africa](#)

MicroEnsure has set up a new Agricultural Division and received from the IFC a \$1.6 million grant to provide microinsurance for 15,000 farmers in Rwanda

EVENTS

- Microinsurance in the Middle East Conference 22/23 February 2011 - Egypt
Contact: sheela@asiainsurancereview.com

RESEARCH

Research grant

The EUDN and the Facility selected eight new research grants in December 2010 from the 60 applications we received at the end of September. Besides methodological rigour, the EUDN and Facility made an attempt to select projects that fill existing gaps in the Facility's learning portfolio, hence more research grantees will focus on themes such as welfare impacts, health outcome assessment or sales force incentives rather than on demand determinants, which is already covered by projects supported earlier.

Research papers

The Facility has provided a number of research grants for academics, particularly from developing countries, to answer key questions in the Facility's research agenda. The Research Papers present results from those grants as well as from relevant studies conducted by partnering organizations.



Research Paper 1: [The Economic Value of the Willingness to Pay for a Community-Based Prepayment Scheme in Rural Cameroon](#) by Hermann Pythagore Pierre Donfouet (University of Yaounde II) and Ephias M. Makaudze (University of Western Cape)

Research Paper 2: [Microinsurance Product Design: Consumer Preferences in Kenya](#) by Job Harms (VU University Amsterdam)

Research Paper 3: [Health care utilization in rural Senegal: The facts before the extension of health insurance to farmers](#) by Aurélie Lépine (University of Otago) and Alexis Le Nestour (University of Otago)

Season's greetings and Happy New year!
The Facility wishes you health and prosperity for the coming year!



PUBLICATIONS

The Facility has published three new BRIEFING NOTES:

[Emerging Practices in Consumer Education on Risk Management and Insurance](#) highlights how to design valuable content, deliver it successfully and measure its impact.

[The Psychology of Microinsurance: Small Changes Can Make a Surprising Difference](#) emphasizes that small changes in the design of products and marketing can sometimes make a surprising difference in how and whether financial products are used.

[Innovations and Barriers in Health Microinsurance](#) focuses on private sector HMI and discusses the challenges that limit the growth and impact of HMI.

PUBLICATIONS FROM THE SECTOR

[Performance Indicators in Microinsurance - A Handbook for Microinsurance Practitioners](#)

This updated version, prepared by the Performance Indicators working group of the Microinsurance Network, ADA and BRS, categorises the principles and indicators, elaborates on a number of concepts such as asset-liability matching, and has an expanded glossary. French and Spanish versions will be available in spring 2011.

[Social performance in microinsurance](#)

The Performance Indicators Working Group held a workshop on social performance indicators in microinsurance with 15 participants from Africa, Asia and Latin America. The workshop combined the practical knowledge and experience of the microinsurance practitioners with the already established social indicators in microfinance and 8 principles and 11 indicators for social performance management in microinsurance were identified.

GTZ MIPSS has published a document on the lessons learned when setting up a microinsurance regulatory framework. It describes an innovative insurance solution to protect against natural catastrophes covering cooperatives and its low-income members. Contact: dante.portula@gtz.de

[Assurance indiciaire agricole et warrantage : quelles perspectives en Afrique de l'Ouest ?](#)

This paper from GRET and Agence française de Développement summarizes the benefits, limits and feasibility of 'warrantage' scheme and index insurance to help small scale farmers manage their risks. It presents nine field experiences in five countries in Eastern Africa and in India. Contact: duffau@gret.org

ARTICLES, INTERVIEWS AND VIDEO

[New Channels to Get Insurance to the Poor](#)

This new Facility's article focuses on the topic of distribution channels to reach low-income people. Insurers may be efficient, but they often lack a clear understanding of low-income clients and ways to access poor markets. Thus, involving a distribution partner can help create a successful business model. Given the multitude of options available, what should insurers consider when selecting a distribution channel?

[Thinking out of the box to reach poor people](#)

Brandon Mathews, Zurich Insurance Company Ltd.

Less than 5% of the population is insured in developing countries, hence a huge market remains untapped. To fill the gap, insurers need to solve the issue of scale and efficiency. Mathews discusses how technology and alternative ways to disseminate insurance can facilitate access to the market.

[Crossing borders: meeting the insurance needs of low-income migrants and their families](#)

Barbara Magnoni, EA Consultants

250 million people live outside of their country and send \$350 billion home every year. As a result, their families have a higher expendable income allowing them to purchase microinsurance products. B. Magnoni discusses the potential market for insurance targeting migrants and their families as well as some of the challenges in serving this niche market.

The [Pacific Financial Inclusion](#)

[Programme \(PFIP\)](#) produced a video to increase awareness and catalyze discussion with insurance companies, government regulators, media groups, community based organisations and donors about what their role is in bringing microinsurance to the market. PFIP strives to provide financial services to 250,000 people in the Pacific,

and focuses on the countries of Fiji Islands, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu.

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